Deborah Petrisko

From: Neal Zislin [zislinns@comcast.net]
Sent: Friday, June 14, 2013 8:44 AM
To: publiccomments@njcleanenergy.com
Subject: 2nd Revised CRA Straw Proposal

Kristi Izzo, Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Board of Public Utilities:

Thank you for extending to stakeholders the opportunity to provide input on the 2nd Revised CRA 2014-2017 straw proposal. Renu Energy is pleased to offer these comments and recommendations to the Board of Public Utilities on the subject of the 2nd Revised CRA 2014-2017 straw proposal.

Renu Energy commends the Office of Clean Energy in recognizing experiences from the implementation of the NJCEP that have highlighted shortfalls from expectations in performance and offering recommendations to improve future results. Renu Energy concurs with the OCE that collaborating with Treasury to more closely correlate program commitments and expenditures with budgets in minimizing unallocated budgeted money from one year to the next synchronizes ratepayers' contributions under SBC to the earmarked programs. This avoids an indirect taxation by the State to fund programs and support governmental activities that are unrelated to the objectives of the NJCEP. Renu Energy supports the allocation of more resources and the formation of a working group towards quantifying the benefits and costs of the NJCEP initiatives and benchmarking to other states as the pathway towards continuous improvement with program outcomes. The 2nd Revised CRA 2014-2017 straw proposal discloses overlapping NJCEP and utility initiatives in delivering rebates to ratepayers for adopting increased energy efficiency measures. Renu Energy supports the recommendation to rationalize these energy efficiency incentives through scheduled coordination of program submissions and selective program approvals which should result in the elimination of unnecessary program administrative expenses, confusion among the marketplace participants and possible duplicative reimbursements. The priority in directing the Program Administrator (once confirmed) to create a clean energy strategic plan and a managed marketing strategy to elevate outreach to and education of the public creates the foundation for increasing the effectiveness of the clean energy programs. Renu Energy believes that it is desirable to attract to and nurture within NJ a critical mass of intellectual and financial resources that might generate innovative renewable energy technologies and invest in manufacturing assets to commercialize equipment, software, services, etc. The grants that might be offered under the NJCEP need to be linked to tangible recipient commitments and job creation.

The Energy Master Plan indicated that over the 7-year period from 2003-2010, every $1 investment in energy efficiency generated $1.80 of benefits in the residential sector and $4.29 in the commercial/industrial sector. For the residential sector, these benefits translate to $0.26 per year yielding a simple payout of approximately 4 years. For the commercial/industrial sector, these benefits translate to $0.61 per year yielding a simple payout of approximately 1.7 years. The energy savings of kwh's are sustainable as long as the systems benefiting from the conservation or efficiency measures remain operational and cost avoidance in $/kwh continues its historical behavior of increasing over time. The Expenditure Forecast Based on 50/50 Weighting and the Savings Goal Based on EnerNOC 50/50 Weighting project electricity costs of $0.12-$0.16/kwh saved in the residential sector and $0.24-$0.21/kwh saved in the commercial/industrial sector over 2013-2016 interval. This suggests a simple payout of approximately 1 year in the residential sector and 1.7 years in the commercial/industrial sector based on the prevailing cost of electricity within these customer rate classes. These savings projections correlate well with past performance in the commercial/industrial sector and appear to be extremely, and perhaps unrealistically, optimistic based on past performance in the residential sector.

The Expenditure Forecast Based on 50/50 Weighting and the Savings Goal Based on EnerNOC 50/50 tables also project natural gas costs of $12.50-$14.00/decatherm saved in the commercial/industrial sector and $130-$98/decatherm saved in the residential sector. This suggests a simple payout of approximately 1.7 - 3 years in the commercial/industrial sector depending on the delivered price of natural gas. However, it appears that the projected cost-benefit for the residential sector yields a simple payout that extends beyond 10 years. Renu Energy suggests that the OCE revisit the underlying cost-benefit assumptions for the residential sector.

The Energy Master Plan acknowledges that, although the creation of new jobs through the implementation of energy efficiency and renewable energy programs is desirable, it is not a primary factor in justifying NJCEP programs. Renu Energy concurs with the OCE that it is vital to quantify the creation of new jobs. It is also necessary to establish guidelines in terms of what is practical and affordable to spend towards creation of jobs. A distinction needs to be made between forecasting temporary jobs that exist throughout phases of a project with stable jobs that exist once the project has been completed and the system or facility becomes operational. A simple payback period is designated as the threshold in discerning how financial incentives might be disbursed. Returns to the state treasury from collected state income tax and sales tax based on estimated consumption generated by the newly created stable job would be weighed against the financial incentives offered. An example illustrating this using a 5-year simple payback is the state offering up to $20-25K in financial incentives supporting a program within the NJCEP (e.g. reducing the initial capital investment to increase energy efficiency or implementation of public policy in expanding the development and adoption of non-competitive renewable energy technologies) that results in creating 1 stable job earning $50K per year in which the person spends $4-5K per year in state income plus sales taxes. Renu Energy believes it would be worthwhile to tabulate the number of new, stable jobs created through implementation of the RPS and the Energy Efficiency Program separately. Job creation within the RPS would be weighed against the total outlay of ratepayers' money through the combined purchases of SREC's and SACP's over the 2005-2012 period. Job creation within the Energy Efficiency Program would be weighed against the total outlay of ratepayers' money through equipment rebates and performance grants over the 2005-2012 period. All jobs that were created with financial incentives that satisfied the designated simple payback threshold would be considered affordable and potentially produce future benefits experienced as reduced taxes or greater services from the state government for the ratepayers (and taxpayers). The real net cost to NJ ratepayers (that may be offset in other ways such as reduced more expensive peak loading, cleaner air, deferred capital investment in transmission lines, etc) is that expended amount that exceeds the simple payback threshold period.

Neal Zislin
VP Engineering
Renu Energy
www.renuenergy.com
nzislin@renuenergy.com
908-371-0014 (Office)
908-425-0089 (Cell)

BEVAN, MOSCA, GIUDITTA & ZARILLO, P.C.
ATTORNEYS AT LAW

222 Mount Airy Road, Suite 200
Basking Ridge, NJ 07920-2335
Phone: (908) 753-8300
Fax: (908) 753-8301
www.bmgzlaw.com

MURRAY E. BEVAN
mbevan@bmgzlaw.com

June 14, 2013

VIA ELECTRONIC AND REGULAR MAIL

The Honorable Kristi Izzo
Secretary, New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350
publiccomments@njcleanenergy.com

Re: Comments on the Second Revised Comprehensive Resource Analysis Straw Proposal and the Revised Draft Fiscal Year 2014 Budgets

Dear Secretary Izzo:

On behalf of our client, The Bloom Energy Corporation ("Bloom Energy"), please accept these comments regarding the Second Revised Staff Comprehensive Resource Analysis Proposal ("2nd Revised CRA Proposal") issued by the Board of Public Utilities ("Board") on June 3, 2013, as well as the Revised Draft Fiscal Year 2014 Budgets ("FY 2014 Draft Budgets"), issued by the Board on June 5, 2013.

Bloom Energy is a provider of breakthrough solid oxide fuel cell technology that generates clean, reliable, and highly-efficient onsite power using an environmentally superior non-combustion process. Bloom Energy currently has over 75 megawatts ("MW") of operating systems at over 100 locations across the United States. In New Jersey, Bloom Energy is seeing growing demand from customers, including telecommunications providers, data centers, office buildings, nursing homes, supermarkets, and other customers who desire a highly reliable distributed power generation solution, but may not have the thermal requirements necessary to support a traditional Combined Heat & Power ("CHP") solution.

We would like to thank Board staff for proposing a significant increase in the level of funding committed to the CHP and Fuel Cell Program during Fiscal Year 2014. The revisions in the 2nd Revised CRA Proposal and FY 2014 Draft Budgets, reflecting a combined total of nearly $65M in the Large and Small Fuel Cell programs from an earlier combined total of $30M, is exactly the right market signal at exactly the right time. Moreover, the focus upon distributed generation as an important aspect of resiliency planning is apparent and very much appreciated. Despite its support for the increase in overall CHP/Fuel Cell Funding as compared to the draconian cut originally proposed, Bloom Energy continues to have concerns with at least two aspects of the 2nd Revised CRA Proposal and FY 2014 Draft Budgets.

First, with respect to the new requirement that every project "shall have the ability to automatically island/disconnect and operate independent from the utility in the event of substantial grid congestion, interruption, or failure," Bloom Energy applauds the Board and Board Staff for the increased emphasis on resiliency of the electric system. It should be noted, however, that there are significant capital costs associated with this requirement, such as the segregation of critical loads and additional switchgear. The practical effect of this requirement, absent any enhanced incentive, may be that it amounts to a reduction in the per-project incentive. Again, Bloom Energy strongly supports the addition of this new requirement, but believes that it should be a funded mandate rather than an unfunded mandate. Therefore, Bloom Energy believes that an additional incentive should be available to projects that can automatically island/disconnect and operate independently from the utility.

Second, Bloom Energy is concerned that the 2nd Revised CRA Proposal continues to state that funding should focus on projects that deliver the highest level of electric generation and/or savings per rebate dollar expended. Instead of merely gauging the value of a CHP or fuel cell project by measuring *the number of megawatts of capacity that is installed per dollar of expenditure*, we encourage the Board to instead focus on the actual value created by the investment, *taking into account the services the facility provides to the State of New Jersey and*

its citizens. This will require an evaluation process that takes into account not only project economics, but also the importance of the facility itself in terms of its contribution to resiliency and preparedness.

For example, a fuel cell project that provides primary un-interruptible power for a telecommunications provider may not have a thermal load or benefit from the economies of scale of a large CHP project. It may be that such a facility would in fact require more incentive dollars per MW of installed capacity. On the other hand, if the facility provides telecommunications service to millions of customers, including first responders and emergency management officials, is it really a better use of program dollars to have that funding go to a CHP plant in an industrial park that happens to have better project level economics? The Board should reject the idea that funding should be evaluated exclusively on a "dollars per MW installed," and instead acknowledge the emergency preparedness value and the true cost savings of an un-interrupted supply of electricity at high value facilities.

Finally, Bloom Energy would like to point out that the term "combined heat & power" or "CHP" as was used in the original and now the 2nd Revised CRA Proposals, is an exclusionary term, not only for Bloom's "all-electric" fuel cells, but also for all of those electric customers in New Jersey who do not happen to have a thermal load that matches their electric load. This is an important point because the semantics seem to be translating into programmatic choices, whether intentional or not, that will have the effect of depriving an important group of customers from accessing the Board's programs. The language of the 2nd Revised Draft Proposal itself is exclusionary; the very section of the Proposal in which fuel cells and other types of distributed generation are supposed to be covered is entitled "5.2 Combined Heat and Power." Bloom Energy requests that the Board and Board Staff use the more accurate and inclusive term "distributed generation."

As the Board adopts the Comprehensive Resource Analysis and program budgets for the 2014 fiscal year, there are opportunities to apply new innovations that can help New Jersey achieve its resiliency and clean energy objectives at the same time: all-electric fuel cells are one of those opportunities. Please do not hesitate to contact me should you have any questions or concerns.

Very truly yours,

Murray B. Bevan

State of New Jersey
DIVISION OF RATE COUNSEL
140 EAST FRONT STREET, 4TH FL
P.O. BOX 003
TRENTON, NEW JERSEY 08625

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

June 14, 2013

VIA HAND DELIVERY AND ELECTRONIC MAIL
Honorable Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625

Re: I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2014-2017 Clean Energy Program ("CRA IV")
BPU Docket No.: EO11050324V
2nd Revised CRA Straw Proposal and Draft FY14 Programs (June 6, 2013)

Dear Secretary Izzo:

Enclosed please find original and ten copies of comments submitted on behalf of the New Jersey Division of Rate Counsel in connection with the above-captioned matter. Copies of the comments are being provided by electronic mail and hard copies will be provided upon request to our office.

We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope.

Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By: Sarah H. Steindel
Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

c: OCE@bpu.state.nj.us
publiccomments@njcleanenergy.com
Rachel Boylan, Esq., BPU
Elizabeth Ackerman, BPU
Mike Winka, BPU
Anne Marie McShea, BPU
Mona Mosser, BPU
Benjamin Hunter, BPU

I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2014-2017 Clean Energy Program ("CRA IV")
BPU Docket No.: EO11050324V

2nd Revised CRA Straw Proposal

and

Draft FY14 Programs

Comments of the New Jersey Division of Rate Counsel

June 14, 2013

INTRODUCTION

The Division of Rate Counsel ("Rate Counsel") would like to thank the Board of Public Utilities ("BPU") or ("Board") for the opportunity to present comments on the 2nd Revised CRA [Comprehensive Resource Analysis] Straw Proposal: Proposed Funding Levels FY14 – FY17 dated June 3, 2013 ("2nd Revised CRA Straw Proposal") and revised draft Clean Energy Program budget for Fiscal Year 2014 ("FY14") ("Revised FY14 Budget") dated June 6, 2013, including the May 7, 2013 Residential Energy Efficiency ("EE") and Renewable Energy ("RE") program plan by Honeywell, the May 6, 2013 Commercial & Industrial ("C&I") EE program filing by TRC, as supplemented by TRC on June 6, 2013, the April 26, 2013 Utility Residential Low Income Comfort Partners Program and Clean Power Choice program filing, and the May 7, 2013 filing by the Office of Clean Energy ("OCE") (collectively, "draft compliance filings"). The 2nd Revised CRA Straw Proposal and the Revised FY14 Budget were circulated by the Office of Clean Energy ("OCE" or "Staff") on June 6, 2013.

The BPU Secretary's notice dated June 5, 2013 states that comments should be captioned as applying to either the 2nd Revised CRA Straw Proposal or the Revised FY2014 Budget. The

comments and concerns discussed below all apply to the OCE's proposed budget modifications for FY14, which are set forth in the Revised FY2014 Budget and explained in the 2d Revised CRA Straw Proposal. Since the budget document and the explanatory matter are inter-related, Rate Counsel is submitting its comments in a single document bearing both captions.

Rate Counsel previously presented comments in these matters regarding the OCE's original Straw Proposal on October 26, 2012 ("Initial Straw Proposal"), on April 26, 2013, in response to a March 28, 2013 Revised Straw Proposal ("1st Revised CRA Straw Proposal"),[1] and again on May 31, 2013, in response to proposed Programs and Budgets for Fiscal Year 2014 circulated on May 8, 2013 and minor revisions to the 1st Revised CRA Straw Proposal circulated May 24, 2013.

Rate Counsel recognizes that some of the issues raised in the 1st Revised CRA Straw Proposal and in Rate Counsel's April 26, 2013 comments on that revised CRA proposal, were not addressed in these compliance filings presumably because they will take additional time to implement. These issues include, among other things, a process to ensure more consistency between RGGI programs by the different utilities, modifications to budgeting processes to better match program budgets with actual spending, and bidding EE savings into the PJM capacity market. Without repeating those comments here, Rate Counsel continues to support the OCE's efforts to make improvements in these regards. Moreover, Rate Counsel reiterates that the OCE should commence the stakeholder processes to address these issues as soon as practical.

Rate Counsel also raises its concern regarding the manner in which the 2nd Revised CRA Straw Proposal has been circulated to stakeholders for comments. Through the course of this proceeding, Staff has continually made substantive alterations to the Straw's proposed funding

[1]The 1st Revised Straw Proposal presented for Public Comments by Staff on March 28, 2013, was revised by Staff April 17, 2013. Rate Counsel comments filed April 26, 2013 addressed both the March 28, 2013, Revised Straw Proposal, and the minor revisions made April 17, 2013.

levels. The Initial Straw Proposal called for ratepayer-financed funding of more than $1.2 billion over a four-year period to fund EE and RE programs, the costs to administer said programs, and certain Economic Development Authority ("EDA") programs. After input from Rate Counsel and other stakeholder, the OCE's 1st Revised CRA Straw Proposal significantly reduced the size and scope of proposed funding, requesting only $227.7 million in "new funding" to be collected from ratepayers, and a total budget including carryovers of $440.6 million for a single fiscal year, FY14, deferring decisions on funding levels for FY2015 through FY2017 until after the Board engages a new Program Administrator. Now, the OCE has once again made a significant modification in funding levels through the circulated 2nd Revised CRA Straw Proposal, proposing to increase "new funding" for the New Jersey Clean Energy Program ("NJCEP" or "CEP") by $117 million and the total CEP budget by $127 million. The proposed level of "new funding" is now $344,665,000 for FY14, or 51.4 percent higher than the levels proposed within the 1st Revised CRA Straw Proposal, with the overall budget now $567,621,745, or 28.8 percent higher than previously proposed.

The 2nd Revised CRA Straw Proposal represents a 51.4 percent increase in proposed collections from ratepayers in FY14, yet the proposal was not circulated to stakeholders until June 6, 2013. The comment deadline for the straw proposal was June 14, 2013, providing stakeholders only eight calendar days to review and comment. Moreover, the only justification provided for the modifications were the brief descriptions of the major items modified appearing at pages 54 through 57 of the 2nd Revised CRA Straw Proposal; no supporting documentation or other analysis has been provided. This process does not provide the meaningful level of notice and opportunity for comment that is required under New Jersey law for a proposal of this

magnitude. See In re Provision of Basic Generation Service for the Period Beginning June 1, 2008, 205 N.J. 339, 360 (2011).

Rate Counsel is submitting these comment based on the limited review that was possible give the short comment period and absence of supporting documentation for the OCE's proposals. Rate Counsel reserves its rights to seek modifications to the budget after it has been provided the necessary supporting documentation, and sufficient time, for a meaningful review.

RATE COUNSEL COMMENTS

I. NJCEP ADMINISTRATION

A substantial portion of the proposed additional funding for FY14 appears allocated to administrative activities rather than programs benefiting ratepayers. Specifically, the 1st Revised CRA Straw Proposal requested $5 million in "new funding" and a total budget of $8.2 million in NJCEP Administration and Overhead. The 2nd Revised CRA Straw Proposal now requests $17.1 million in "new funding," and a total budget of $21.3 million for NJCEP Administration and Overhead, a 241 percent increase in "new funding" and a 160 percent increase in total budget compared to the initial proposal made just a few months ago. It should be noted that this additional $13.1 million increase to the total budget does not include additional funds requested to market NJCEP EE programs[2] or RE funds designated for Honeywell and the future Program Administrator to administer the State SREC registration program.[3] The OCE needs to conduct a thorough analysis to justify the proposed increase in administrative costs.

Approximately $7.1 million of the increase to administrative costs is for Program Evaluation. The OCE is recommending a review of the most recent program evaluation plan and

[2] 2nd Revised CRA Straw Proposal, p. 55.
[3] 2nd Revised CRA Straw Proposal, p. 55.

an increase in funding for evaluation compared to historical levels.[4] Consistent with this, the FY14 compliance filing by the OCE, at page 8-9, calls for reconvening the Evaluation Plan Workgroup and the development of a new Evaluation and Related Research Plan. The revised FY14 budget calls for a "new funding" level of $9.3 million and a total budget of $10.2 million for Evaluation and Related Research, a 230% increase over the initial FY14 budget proposal and over 360% higher than the Board approved evaluation budget for 2012-2013.

Rate Counsel notes that, as with other parts of the NJCEP budgets, significant amounts of evaluation funding have historically been carried over year-to-year. From 2009 to 2011, only 8% to 28% of the annual evaluation budget was spent, which represents a total of $2 to $3 million unspent annually.[5] Since the CEP has been underperforming in terms of annual electric and gas savings relative to savings achieved by other states and utilities, and the CEP lags behind conducting a number of evaluation studies, the proposed increased budget for evaluation could be justified. However, Staff must first demonstrate a current, concrete evaluation plan that requires the proposed budget within FY14, as well as a commitment to complete the studies. Given that the development of a concrete plan, the OCE should expedite a draft evaluation plan and an estimate of evaluation expenses associated with that plan. Moreover, Rate Counsel strongly encourages the OCE to spend the final, Board-approved evaluation budget during the 2014 fiscal year.

The administration budget also includes other significant modifications from the original FY14 budget, including an additional $5 million for Program Transition and a $1 million increase in OCE Staff and Overhead, compared to the original FY14 budget. The OCE should

[4] 2nd Revised CRA Straw Proposal, p. 22.
[5] Percent of budget spent was calculated using data from the "Admin" worksheet of the"2001-2011 Program results(2).xls" workbook (available under 2011 reports at http://www.njcleanenergy.com/main/public-reports-and-library/financial-reports/clean-energy-program-financial-reports).

provide detailed supporting documentation and analysis for the other components of the increased administrative budget.

II. ENERGY EFFICIENCY

Rate Counsel has a number of concerns with the 2d Revised CRA Straw Proposal for EE, as set forth below.

A. Overall Budgets

In the June 6, 2013 Revised FY14 Budget, proposed new FY14 funding and budgets (including carry-over) were increased for all EE programs except Comfort Partners, C&I New Construction, and Pay for Performance New Construction relative to the previous FY14 budget proposal. Under the new proposal, residential programs in total would receive a budget increase of 14% or $14 million, and a $17 million increase in new funding relative to the previous FY14 budget proposal. Compared to the previous FY14 budget proposal, the FY14 budget for the C&I programs would increase by about 21% or roughly $40 million, and new funding for the C&I programs would increase by roughly $28 million. Excluding the $15 million for new C&I programs (discussed in section C, below), the total C&I FY14 budget would increase by about 13%. In total, residential and C&I budgets would increase by $54 million (or $39 million excluding the $15 million for new programs). Rate Counsel has a number of concerns with the overall proposed budget and increases relative to the previously proposed FY14 budget levels.

First, the OCE is proposing a budget of over $410 million for EE, including $252 million in new funding, in addition to $138 million in carry-over and commitments. The OCE justifies the $252 in new funds based in part on the EnerNOC Market Potential Study and the benchmarking study prepared by AEG.[6] However, it appears that EnerNOC's forecast of

[6] $252 million includes the $187 million derived from the EnerNOC market potential study and the benchmarking study prepared by AEG, $15 million for new C&I programs, $30 million for the Energy Infrastructure Trust, $3.6

expenditures is inclusive of all expenditures in each year, including commitments (consistent with it being directly compared with historical annual expenditures by NJCEP at page 40 of the 2nd Revised CRA Straw). Thus, it appears that $252 million should be the level of "expenditure" in FY14 instead of the level of "new funding." Otherwise, it is difficult to understand how the OCE intends to spend $410 million on new program activities and the previous commitments in FY14, given the historical annual spending level of about $116 million and that the OCE has not provided any plans to spend over three times more money in FY14 on EE program activity. The OCE should clarify and explain the derivation of the new funding amount, as well as provide an opportunity for public comment on the amount and basis for the new funding.

Second, Rate Counsel disagrees with increasing the proposed FY14 budgets solely to maintain rate stability. The 2nd Revised CRA Straw Proposal states that, "In the interest of keeping customer rates stable, Staff reduced [$187 million][7] by $10 million in its April 17, 2013 Revised CRA Straw Proposal. Now, however, given that the June 3, 2013 2nd Revised CRA Straw Proposal results in an overall reduction of the SBC that customers will pay, Staff recommends that $10 million be added back in to the proposed EE funding level."[8] Rate stability is only one of the criteria that Staff should be considering when developing budgets. The ability of the programs to spend their allocated budgets, based on historical spending with reasonable assumptions about ramping up programs, must also be a factor. Rate Counsel has commented repeatedly about the need to better match expenditures with collections, and indeed the CRA Straw Proposal recommends "that program commitment procedures be reviewed to determine if it is permissible to allow programs to 'reserve' less than 100% of commitments, based on

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million for increased marketing, and $16.3 million for general increases in program participation due to increased marketing.(2nd Revised Straw Proposal, pp. 54-56)

[7] $187 million was derived from the results of the EnerNOC market potential study and the benchmarking study prepared by AEG.

[8] 2nd Revised CRA Straw Proposal, p. 54.

historic completion rates" in order to better match expenditures with collections.[9] However, the Staff has not demonstrated that the recommended FY14 budget increases are consistent with its commitment to reduce year-to-year carryovers.

Third, Rate Counsel disagrees with the 2nd Revised CRA Straw Proposal's recommendation that overall residential and C&I budgets should be increased to cover anticipated increases in participation as a result of increases in marketing expenditures. The proposed FY14 budget for marketing, including $3 million each for residential and C&I, is a reasonable step to increase program participation and to reduce the historical gap between the actual expenditures and the proposed program budgets. However, budget levels for the individual programs should not be increased above the originally proposed levels based on the increased level of marketing, given that recent historical experience shows that the OCE has only spent $116 million per year on energy efficiency on average, far short of the Board-approved energy efficiency budgets in recent years. It is more likely that this level of increase in marketing will not allow the CEP to fully utilize its newly proposed FY14 budget, or even the originally proposed FY14 budget. Thus, the Board should not adopt Staff's proposal to increase the funding and budget for the majority of the EE and CHP programs.

B. Home Performance with Energy Star

An evaluation study of the NJCEP conducted by the Applied Energy Group ("AEG") on June 11, 2012 ("AEG benchmark study") revealed that the cost of the Home Performance with Energy Star ("HPwES") is very high in New Jersey compared to the cost of the same or similar programs in other states. The costs per first year kWh saved for NJCEP range from $2.4 to $17 per kWh, and $95 to $180 per MMBtu between 2010 and 2012. (See Table 1 below.) In contrast to New Jersey's non-incentive costs per kWh and kW saved, its incentive costs are extremely

[9] 2nd Revised CRA Straw Proposal, p. 16.

high as shown below, implying that New Jersey may be providing excessive incentives to program participants. The report further indicates that the cost of the program has improved over time, while dismissing the point that the cost in 2012 is still higher than the highest cost found in other jurisdictions.

Table 1. Home Performance with Energy Star Spending on a Per Unit Saved Basis[10]

	Total Expenditures			Incentives			Non-Incentives		
	$/kWh	$/kW	$/MMBtu	$/kWh	$/kW	$/MMBtu	$/kWh	$/kW	$/MMBtu
Minimum	$0.11	$1,577	$69	$0.11	$895	$12	$0.25	$630	$47
Average	$1.03	$7,063	$83	$0.46	$2,257	$26	$0.72	$5,720	$57
Maximum	$1.83	$15,437	$91	$0.72	$5,435	$44	$1.72	$14,542	$67
NJCEP (2010)	**$17.19**	**$19,802**	**$181**	**$15.26**	**$17,584**	**$161**	**$1.92**	**$2,217**	**$20**
NJCEP (2011)	**$2.79**	**$6,664**	**$98**	**$2.39**	**$5,694**	**$83**	**$0.41**	**$970**	**$14**
NJCEP (2012)	**$2.39**	**$7,281**	**$95**	**$2.09**	**$6,366**	**$83**	**$0.30**	**$915**	**$12**
Including Utility Stimulus Program Incentives									
NJCEP (2010)	**$20.19**	**$23,257**	**$213**	**$18.26**	**$21,039**	**$192**	**$1.92**	**$2,217**	**$20**
NJCEP (2011)	**$3.52**	**$8,400**	**$123**	**$3.11**	**$7,430**	**$109**	**$0.41**	**$970**	**$14**

Based on the FY2014 budget proposal for HPwES included with Honeywell's May 7, 2013 compliance filing, it appears that the anticipated cost of the program in terms of the cost of saved electricity will be higher in FY 2014 than it was in 2012. The cost of saved gas is projected to be higher than it has been for the past three years. Applying the 61% to 39% ratio of electric to gas spending assumed by the AEG benchmark study to the FY14 budget, Table 2 below shows estimated program cost per first year saved kWh and MMBtu.[11] The gas savings cost is about $343 per MMBtu, which is nearly four times larger than the highest cost within the peer group considered in the AEG study. (See Table 1 above.) The cost of electric savings is $11 per first year saved kWh, which is also significantly higher than the cost of the program in other jurisdictions.

[10] Applied Energy Group 2012. Evaluation of New Jersey's Clean Energy Programs, Table 9, page 13

[11] This expenditure split is taken from a workbook for the AEG benchmark study provided by AEG on April 19, 2013.

Table 2. Projected Cost of Home Performance with Energy Star in FY14 based on May 8, 2013 proposed budget

	Budget	Electric Annual Savings (MWh)	Gas Annual Savings (MMbtu)	Cost of Saved Electricity ($/kWh)	Cost of Saved Gas ($/MMBtu)
Electric Savings	$16,320,232	1,524		$11	
Gas Savings	$25,526,516		74,449		$343
Total	$41,846,748	1,524	74,449	$11	$343

Rate Counsel recommends the OCE consider modifying the program design, including the incentive levels. In addition, Rate Counsel questions whether the increase in the HPwES budget to over $47 million, as proposed in the revised FY14 CEP budget, is appropriate given the high cost of this program relative to its peers.

C. New C&I Programs

The Revised FY14 budget includes a line item for C&I "New Programs" with $15 million of new FY14 funding. Based on a review of the 2nd Revised CRA Straw Proposal, it appears that the "New Programs" line item includes the Multi-family Finance and Retro-commissioning programs, which were proposed in 2011 and 2012 but not launched based on funding constraints. The line item in the budget table should be clarified so that the new programs are better defined.

III. RENEWABLE ENERGY

The 2nd Revised CRA Straw Proposal proposes to allocate $30.0 million, including $17.5 million in "new funding," to renewable energy funding.[12] Approximately $29.5 million of the budgeted funds are slated for the Renewable Energy Incentive Program ("REIP"). Staff proposed in the 1st Revised CRA Straw Proposal to allocate $11.4 million, including $7.5 million of "new funding," to Solar, Biomass, and Energy Storage initiatives respectively. According to Staff, the $10 million of additional "new funding" proposed in the 2nd Revised

[12] 2nd Revised Straw Proposal, p. 57.

CRA Straw Proposal will be allocated towards these same three initiatives, but no details are given regarding the exact budgeted amounts.

Rate Counsel previously stated in its April 26, 2013 comments concerning the OCE's proposal to allocate $7.5 million in new funding for renewable energy programs that (1) much of the funding appeared to be at odds with the Board's stated objectives of relying on market-based approaches to support renewable energy, (2) did not consider the changing market conditions for non-solar renewable energy, (3) provided insufficient documentation to support the need for $2.5 million in funding for solar administration, and (4) failed to recognize the total burden being placed on ratepayers to support renewable energy through a myriad of utility-supported programs and the State Renewable Portfolio Standard ("RPS"). The OCE's current proposal does nothing to allay these concerns.

Furthermore, Staff's currently proposed "new funding" level of $17.5 million represents a 133 percent increase in funding to be collected from ratepayers in FY14 for renewable energy. Staff's 2nd Revised CRA Straw Proposal requests approval of no new programs associated with these funds, and does not include any analysis regarding the ability of the previously proposed REIP initiatives to support such a substantial increase in funding. Moreover, as mentioned earlier, Staff's proposal does not delineate how the additional $10 million in funding will be distributed among the three proposed initiatives. Rate Counsel renews its request for additional data from the OCE on this issue.

IV. COMBINED HEAT AND POWER (CHP) AND FUEL CELLS

The 2nd Revised CRA Straw Proposal proposes to allocate $65 million, including $50 million in "new funding" to be collected from ratepayers during FY14, for CHP and Fuel Cell projects. This is an increase of $20 million over the amounts slated for such projects in the 1st

Revised CRA Straw Proposal. Additionally, the 2nd Revised CRA Straw Proposal requests an undisclosed amount of the REIP program, with a total budget of $29.5 million, be made available for the funding of renewably-fueled CHP. [13] These two programs, as proposed, have the potential to double the amount of funding made available to CHP/Fuel Cell projects when compared to the funding proposed in the 1st Revised CRA Straw Proposal ($94.5 million compared to $45 million).

Within its response to the OCE's 1st Revised CRA Straw Proposal, Rate Counsel expressed its concern regarding the previous inability of the program to expend all of the funds made available.[14] The 2nd Revised CRA Straw Proposal's proposal to increase funding to CHP/Fuel Cell projects by $20 million amplifies this concern. Rate Counsel's response to the OCE's 1st Revised CRA Straw Proposal also expressed a concern regarding the OCE's motivation to consider changing CHP incentives to encourage system reliability and storm resiliency. Subsequent to Rate Counsel's comments, additional parties have raised similar concerns in regards to Staff's proposed Portfolio Standard for CHP.[15] Rate Counsel reiterates its concern that Staff has not identified or defined the problems currently facing the State with regards to storm response strategies and system reliability, or identified and prioritized the range of potential solutions to the proposed program. Alternative and less expensive strategies such as increased tree trimming efforts may results in greater benefits than the increased incentives for CHP/Fuel Cell projects proposed by Staff.

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[13] 2nd Revised CRA Straw Proposal, p. 56.
[14] I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2014-2017 Clean Energy Program, BPU Docket No. EO11050324V, Comments submitted by the New Jersey Division of Rate Counsel Re: "OCE Revised CRA Straw Proposal – Proposed Funding Levels FY14-FY17 (April 26, 2013), p. 23.
[15] RE: BPU Staff Straw Proposal on CHP/EEPS, Comments of Jersey Central Power & Light Company (May 31, 2013), p. 2; and RE: Comments by Rockland Electric Company on Straw Proposal for Combined Heat and Power ("CHP") Long Term Financing Incentive Mechanism, A "Smart" Portfolio Standard (May 30, 2013), pp. 2-3.

Lastly, Rate Counsel also believes that more analysis needs to be undertaken regarding the two CHP programs being discussed. The proposed funding from the REIP for renewably-fueled CHP systems decreases the start-up costs for developers seeking to install CHP systems within the State. The current discussion regarding the proposed $65 million for CHP/Fuel Cell financing is that this funding be applied to develop a CHP Portfolio Standard ("CHP PS") requirement for State Gas Distribution Companies ("GDCs"). An element of this proposed CHP PS would be a guaranteed revenue stream for such projects from long-term contracts with State GDCs. The interaction of the two proposed programs has the potential of creating duplicative funding, in which some CHP projects may be eligible for ratepayer subsidized upfront financing, and guaranteed long-term revenue sources also financed by ratepayers. The OCE should examine the potential negative interactions between the various proposed CHP-related initiatives before proceeding further.

The 2nd Revised CRA Straw Proposal also includes $30 million to leverage federal funds through the New Jersey Environmental Infrastructure Trust ("NJEIT").[16] The 2nd Revised CRA Straw Proposal states that CEP funds are intended to be "the source of the state match for the federal funds, to fund energy efficient upgrades and CHP/Fuel Cell projects for critical, water-related infrastructure projects."[17] This last initiative will be available to any municipality seeking energy efficiency upgrades to rebuilt critical water-related infrastructure projects. It is not solely limited to CHP/Fuel Cell projects. Rate Counsel supports the OCE's efforts to work with the Department of Environmental Protection to leverage federal funds to rebuild the State's critical water facilities. Program guidelines should make clear that there is no duplication between this program and the other programs discussed above.

[16] 2nd Revised CRA Straw Proposal, p. 56.
[17] 2nd Revised CRA Straw Proposal, p. 56. Revised FY14 Budget, p. 1.

CONCLUSION

The proposed FY14 budget modifications being proposed bye OCE in the 2nd Revised CRA Straw Proposal and the Revised FY14 Budget would substantially increase the NJCEP budget, with no supporting documentation or analysis. The OCE proposal should be subject to further review and opportunity for comment, after all stakeholders have had a meaningful opportunity to review the basis for this proposal.

New Jersey Natural Gas

VIA ELECTRONIC MAIL (publiccomments@njcleanenergy.com)

June 14, 2013

Hon. Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 So. Clinton Ave., 7th Floor
P.O. Box 350
Trenton, NJ 08625-0350

IN THE MATTER OF THE COMPREHENSIVE
ENERGY EFFICIENCY AND RENEWABLE
ENERGY RESOURCE ANALYSIS FOR THE
2013 -2016 CLEAN ENERGY PROGRAM
DOCKET NO. EO11050324V

Dear Ms. Izzo:

New Jersey Natural Gas Company ("NJNG") has reviewed the 2nd Revised Straw Proposal for New Jersey's Clean Energy Program ("NJCEP") Funding Levels for the period from 2014 through 2017 - Comprehensive Energy Efficiency and Renewable Energy Resource Analysis ("June 3rd Straw Proposal"), which was released on June 3, 2013 by the Staff of the New Jersey Board of Public Utilities ("BPU" or "Board"), as well as the draft compliance plans and budgets for the 2014 NJCEP programs ("2014 NJCEP Programs"). On April 26, 2013, NJNG filed written comments on the March 28th Straw Proposal ("March Straw") and also supported the written comments submitted by the New Jersey Utilities Association ("NJUA") on April 26th. Through this letter, NJNG wants to provide a few supplemental comments related to the June 3rd Straw Proposal and the 2014 NJCEP Programs.

Prior to providing comment, NJNG also wants to acknowledge the efforts of Office of Clean Energy ("OCE") staff. We recognize that is extremely challenging working parallel paths for

policy and programs, especially when there is a need to balance priorities and stakeholder interests. We believe they have done a great job trying to advance these efforts while continuing to provide oversight on the current NJCEP programs, including Superstorm Sandy response initiatives.

Straw Proposal

Transition Year Approach

NJNG supports the proposed approach to use 2014 as a transition year in order to leverage the benefit of the anticipated Strategic Plan that the new Program Administrator will develop and the input of planned working groups. NJNG intends to be actively engaged in the planned working groups and will support Board staff in this effort. Further, NJNG is very pleased to see that the plans reference an intention to continue to work collaboratively with utility programs. Our comments on the prior Straw Proposal provided more detailed considerations regarding the benefits of an approach that is integrated with utility efforts and those comments are incorporated as if written herein by reference.

Funding Allocations

In regard to the proposed funding allocation by utility presented in the June 3rd Straw Proposal, NJNG is concerned that the change in the allocation method can't be properly assessed for accuracy given the limited time for review of the data supporting the allocation and the associated rate impacts with this proposed allocation. Specifically, the March Straw maintained the current funding allocations for each utility. The June 3rd Straw Proposal provides a chart shown on page 58 that reflects a split based on 2013 Estimated Retail Revenues that allocates approximately 64% of the NJCEP funding to electric customers and 36% to natural gas customers. NJNG notes that this split is significantly different from the annual allocation calculation of the Lifeline budget undertaken as part of the joint utility Universal Service Fund ("USF") rate proceeding. That allocation has traditionally been much closer to a 69%/31% split over the past few years (Refer to page 1 of Attachment A). This shift in funding allocation between funding sources is the primary driver for the resulting rate change to each utility's customer base.

	Allocation Split	Electric Allocation of 2014 NJCEP funding	Gas Allocation of 2014 NJCEP funding
Current Allocation (Board order for 2009-2012)	**69%/31%**	**$261,682,500**	**$117,657,500**
June 3rd Straw Proposal	**64%/36%**	**$221,885,270**	**$122,779,730**
If rely upon 2012 USF filing Lifeline Funding Allocation	**69%/31%**	**$237,818,850**	**$106,846,150**

Despite the proposed overall reduction in NJCEP funding, under the June 3rd Straw Proposal Approach, gas utilities would see an increase in their allocated funding requirements and, for several utilities, the notable increase in their allocation would translate into price increases for customers. In fact, the approach in the June 3rd Straw Proposal could increase one utility's share of funding by more than 28% from the amount currently embedded in their customer rates. While it is recognized that shifting load patterns may change the respective allocations between fuel sources and utility service territories, we believe that the shifts reflected in the June 3rd Straw Proposal may be driven more by the underlying data source given the magnitude of the shift.

Through outreach to both Board staff and the Center for Energy, Economic, and Environmental Policy ("CEEEP"), NJNG learned that the underlying data used in the June 3rd Straw Proposal was taken from Energy Information Administration ("EIA") sources. However, there has not been sufficient time to either carefully review the supporting information or coordinate with other utilities. As a result, NJNG was unable to reconcile the EIA data source to the utility data historically used for allocating the Lifeline budget within the USF proceeding and was not able to determine whether the EIA data source is even reflective of customer classes that are subject to the SBC.

As an alternative, NJNG respectfully suggests that the Board consider relying upon the Lifeline allocation basis. Those schedules reflect data provided by each utility and such data

was subject to review and discovery by BPU Staff and the New Jersey Division of Rate Counsel ("Rate Counsel") during the course of the prior year's USF Rate Proceeding. Page 3 of Attachment A shows the proposed allocation as well as the resulting impacts by utility This revised approach, based on the Lifeline allocation method that has been used previously, results in overall decrease in funding for both electric and gas customers in the aggregate and also reflects a reduced funding obligation allocation for nearly all utilities, instead of the potential increases included in the June 3rd Straw Proposal.

Leveraging Other Resources

Further, NJNG encourages OCE staff to take advantage of resources available from the State and Local Energy Efficiency Action Network ("SEE Action") and the Consortium for Energy Efficiency ("CEE").

SEE Action is a collaborative policy effort by a diverse group of stakeholders that is led by the United States Department of Energy ("DOE") with many supportive reference guides and connections to free technical assistance. Attachment B provides a brief overview of the policy areas and program directions in which SEE Action is currently engaged and it is easy to see the strong overlap with NJCEP priorities. NJNG understands that OCE staff has already connected with DOE staff in an effort to gain a better understanding of how SEE Action may be able to help the BPU's longer term consideration of energy efficiency strategies.

CEE is a consortium of electric and natural gas efficiency program administrators working to accelerate the development and availability of energy efficient products and services, encourage market uptake, and attain lasting public benefit. NJNG understands that NJCEP is in the process of re-engaging as a member of CEE. The CEE summary program guides provide an overview of programs and approaches across the country and participation in CEE committees provides information on current trends and issues related to EE program design and connection with new technologies and code changes. Leveraging these resources will extract the most value out of an NJCEP membership in this organization.

2014 NJCEP Programs

Residential Programs

NJNG appreciates NJCEP's continued efforts to support the emerging marketplace for comprehensive home improvements through the Home Performance with Energy Star program that is serving a growing number of customers and helping more than 100 contractors grow their business with this "whole house approach". Further, we also commend NJCEP for continuing to support the much broader customer group that is still only addressing a single piece of HVAC equipment at a time. The incentives through the WARM and Cool Advantage program still influence tens of thousands of customers each year to invest in energy efficient products as they face equipment replacement decisions. That program also helps support a network of thousands of contractors statewide. Here are just a few samples of direct quotes from our most recent survey of contractors.

- "These rebates entice consumers to spend more for energy efficient equipment"
- "If it wasn't for this program most contractors would be installing 80% furnaces and 13 SEER equipment".

In addition, NJNG strongly supports the continuation of the combination incentive program for the installation of a furnace and water heater at the same time, as well as the eligibility expansion to also include boiler and water heater replacements. This combination path is just getting off the ground and should allow for more effective messaging about the importance of addressing both systems at the same time and lead to fewer "orphaned" appliances, which may be a cause for concern for health and safety reasons.

Enhanced Superstorm Sandy Incentives

In regard to the enhanced incentives for customers affected by Superstorm Sandy, NJNG is extremely pleased to see that the plan intends to continue that enhanced incentive value throughout the 2014 program year. NJNG has participated in dozens of Sandy related outreach events and talked to thousands of affected customers. We know that the current June

30th expiration date originally referenced on the promotional materials has been of concern to many customers who knew that they were unlikely to have their homes and/or businesses restored within the next few months. There are numerous delays associated with resolving insurance settlements and potential participation in government programs. Additionally, many customers cannot start restoration work until receiving clarity on home elevation issues. While it is unfortunate that some customers may still not have their properties restored for many months to come, this proposed extension through June of 2014 will at least provide necessary benefits for some customers and hopefully encourage them to install energy-efficient equipment.

NJNG believes that it is critical to get a clear understanding of the relationship between NJCEP programs and the new Department of Community Affairs programs available to help Superstorm Sandy customers as a result of the Community Development Block Grant (CDBG) Disaster Recovery funding. In particular, the Homeowner Resettlement Program and the Homeowner Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) program both have the potential to cover equipment or building standards that are currently covered by NJCEP programs. As a result it is important to understand the relationship between these programs as soon as possible so customers and contractors receive accurate information and all stakeholders can consider any potential impacts on participation rates in NJCEP programs.

Distributed Generation

In regard to distributed generation, NJNG appreciates the Board's strong support for combined heat and power ("CHP") and Fuel Cells within both the CRA proposal and the 2014 program plan. We commend the Board for the on-going efforts to refine the programs and gain feedback from industry partners to identify further improvements. NJNG understands the state's focus on resiliency in a post –Sandy world and the rationale for proposing that facilities be required to have the capability to island and operate independent from the utility in the event of an outage or failure. We can see the merits of such a requirement for certain types of facilities with a societal element. However, NJNG cautions that implementing such a provision on a commercial or industrial customer could hamper the state's ability to meet the

1500 MW goal for distributed generation since that requirement could add substantial costs for these customers. That may further limit the market willing to make the investment in such equipment.

Consider aligning with DOE Efforts within the Large Energy Users Program

In regard to the Large Energy Users Program ("LEUP"), NJNG also suggests that the Board explore the potential benefits of allowing eligible companies to work closely with the DOE on the Better Buildings, Better Plants Program and the Better Buildings Industrial Strategic Energy Management Accelerator under DOE's Advanced Manufacturing Office. To facilitate participation in these DOE efforts, the Board could consider allowing eligible customers to submit proposals that could include a description of their intended efforts and request that related expenses be included as eligible LEUP costs. As part of this DOE Better Plants Program, participants must set a 10-year, 25 percent energy intensity improvement target for all U.S.-based manufacturing operations. They must develop energy management plans and track and report energy data annually to DOE. Since this DOE program is a structured effort that can lead to significant energy savings, developing a role for NJCEP as a partner in this effort could result in significant insights that might be useful and applicable to future NJCEP programming. In addition, the Industrial Strategic Energy Management Accelerator is an opportunity to align the Better Plants program with a structured energy management certification and partner with utilities and program administrators to deliver these solutions to their industrial customers. NJNG also notes that at CEE's most recent conference, many of the larger programs across the country are expanding efforts to offer EE programs that support C&I customers developing Energy Management Plans. This approach could let NJCEP gain practical experience by working with just a few customers through LEUP before considering any broader offering. See Attachment C for further information on these DOE initiatives.

Serving Low Income Customers

As a final note, NJNG would like to thank the Board for its continued commitment to the Comfort Partners programs. In addition to providing energy savings, comfort and safety benefits to the participants, this program also has the potential to reduce future costs for all

customers by reducing the costs associated with the Universal Service Fund program since Comfort Partners work directly reduces the energy burden of participating customers.

NJNG appreciates the opportunity to provide comments on these topics. Please feel free to contact me if you need any additional information regarding these issues.

Sincerely,

Anne-Marie Peracchio
Director- Conservation and Clean Energy Policy

Cc: Elizabeth Ackerman, BPU
Michael Winka, BPU
Michael Ambrosio, AEG
Mona Mosser, BPU
oce@bpu.state.nj.us

ATTACHMENT A
Page 1 of 3

Originally filed as Attachment A of the 2012/2013 joint Utility USF/Lifeline Compliance Filing. BPU Docket # ER 12060565 on June 21, 2012

NJ Utility Jurisdictional Operating Revenue and Volume
Source: 2011 BPU Annual Report

Gas Operating Jurisdictional Revenues

	$000	
Public Service Gas	2,111,972	59.5%
NJNG	683,297	19.2%
Elizabethtown	387,918	10.9%
South Jersey	$367,502	10.4%
Total	3,550,689	100.00%

Electric Operating Jurisdictional Revenues

	$000	
Public Service Electric	4,344,349	55.6%
JCP&L	2,219,023	28.4%
Atlantic Electric	1,040,061	13.3%
Rockland Electric	203,585	2.6%
Total	7,807,018	100.00%

Calculation of Allocation between Gas and Electric

Gas Revenue	3,550,689	**31%**
Electric Revenue	7,807,018	**69%**
Total Revenue	11,357,707	

Attachment A page 2 of 2

Originally filed as Attachment A of the 2012/2013 joint utility USF/Lifeline Compliance Filing BPU Docket # ER12060565 on 6/21/12

Projected Sales Volumes
Estimates of Normalized Jurisdictional Sales
Units in (000s)

	2012 October	2012 November	2012 December	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	Total
Gas Therms*													
NJNG	33,389	61,653	104,704	124,228	105,011	84,509	47,092	25,835	18,755	19,088	18,791	18,550	661,605
SJG	27,040	39,135	67,482	93,053	91,467	83,660	56,192	37,441	30,436	32,031	30,166	26,726	614,830
PSE&G	114,320	206,364	347,568	458,715	452,448	398,090	265,038	157,592	117,282	95,340	93,757	85,777	2,792,291
ETG	20,510	35,798	59,165	72,870	71,813	64,988	45,023	27,468	21,965	17,402	16,516	16,083	469,601
Total	195,259	342,951	578,919	748,866	720,739	631,246	413,345	248,336	188,437	163,862	159,231	147,135	4,538,326
Electric MWH													
PSE&G	3,286,512	3,194,883	3,521,479	3,746,108	3,532,281	3,433,000	3,300,954	3,117,186	3,550,716	4,120,782	4,239,946	4,002,293	43,046,140
JCP&L	1,652,258	1,516,734	1,662,943	1,746,181	1,763,773	1,692,620	1,596,494	1,473,564	1,749,870	2,108,498	2,232,562	2,021,370	21,216,867
ACE	800,360	716,066	771,764	874,810	829,899	799,458	735,776	716,834	808,453	1,026,931	1,100,944	1,010,480	10,191,774
RECO	129,432	118,206	132,226	147,326	137,954	122,699	120,521	122,379	146,019	164,204	172,749	160,077	1,673,792
Total	5,868,562	5,545,889	6,088,412	6,514,425	6,263,907	6,047,777	5,753,745	5,429,963	6,255,058	7,420,415	7,746,201	7,194,220	76,128,573

*Gas sales exclude wholesale therms

Comparison on Funding Allocation by Utility and Related Impacts

	Current	Proposed 6/3 straw	Difference from current	as a percent	Proposed Alternative based on USF filing	Difference from current	as a percent
	a	b	b-a=c	c/a	d	d-a=e	e/a
ACE	$33,608,955	$29,705,068.35	-$3,903,886.65	-12%	**$31,838,189.17**	-$1,770,765.83	-5%
JCP&L	$74,597,858	$61,838,940.29	-$12,758,917.71	-17%	**$66,279,594.27**	-$8,318,263.73	-11%
PS-Electri	$147,841,308	$125,462,806.61	-$22,378,501.39	-15%	**$134,472,290.10**	-$13,369,017.90	-9%
RECO	$5,634,379	$4,878,454.64	-$755,924.36	-13%	**$5,228,776.46**	-$405,602.54	-7%
NJN	$15,896,367	$17,899,030.72	$2,002,663.72	13%	**$15,576,207.24**	-$320,159.76	-2%
Etown	$15,984,499	$12,704,577.03	-$3,279,921.97	-21%	**$11,055,857.05**	-$4,928,641.95	-31%
PS-Gas	$72,708,302	$75,542,543.00	$2,834,241.00	4%	**$65,739,107.56**	-$6,969,194.44	-10%
SJG	$12,978,332	$16,633,579.00	$3,655,247.00	28%	**$14,474,978.15**	$1,496,646.15	12%

ATTACHMENT B
Page 1 of 2

DOE/EE-0664

SEE Action
STATE & LOCAL ENERGY EFFICIENCY ACTION NETWORK

The State and Local Energy Efficiency Action Network

What is SEE Action?

The State and Local Energy Efficiency Action Network (SEE Action) is a state- and local-led effort facilitated by the U.S. Department of Energy (DOE) and the U.S. Environmental Protection Agency (EPA) to take energy efficiency to scale that builds on the foundation of the National Action Plan for Energy Efficiency.[1] SEE Action is composed of more than 200 leaders from state and local governments, associations, businesses, non-government organizations, and their partners working toward a goal of achieving all cost-effective energy efficiency by 2020. SEE Action offers knowledge resources and technical assistance to state and local decision makers as they seek to advance energy efficiency policies and programs in their jurisdictions.

What is the Energy Efficiency Opportunity?

Energy efficiency represents one of our nation's largest untapped energy resources. Investing in efficiency creates jobs and strengthens economic competitiveness by lowering the cost of living and doing business. It also can help reduce demand, improve system reliability, reduce the need for new transmission and distribution investments, reduce fossil fuel use, and provide significant public health and environmental benefits. Numerous studies have shown that investing in cost-effective energy efficiency improvements could save hundreds of billions of dollars nationally over the next 10–15 years.[1,2] State and local energy efficiency programs and policies are critical to capturing the benefits from this largely untapped resource.

SEE Action network members advance best practice recommendations where some of the largest opportunities exist to reap benefits from increased energy efficiency:

- **Building Energy Codes:** Increase the adoption of model and stretch building energy codes and increase compliance with adopted codes.
- **Customer Information and Behavior:** Decrease residential energy consumption through customer access to energy use data, energy consumption feedback, and behavior change.
- **Driving Ratepayer-Funded Efficiency through Regulatory Policies:** Increase investments in energy efficiency through ratepayer-funded programs.
- **Evaluation, Measurement, and Verification (EM&V):** Transform EM&V to yield more accurate, credible, and timely results that accelerate deployment and improve management of energy efficiency.
- **Existing Commercial Buildings:** Improve energy efficiency in commercial-scale public and private buildings by promoting solutions for whole-building improvements such as retro-commissioning and high-performance leasing.
- **Financing Solutions:** Disseminate energy efficiency financing information and offer recommendations on residential and commercial financing structures.
- **Industrial Energy Efficiency and Combined Heat and Power (CHP):** Improve energy efficiency in the U.S. manufacturing sector though programs and policies that support industrial efficiency and implementation of CHP.
- **Residential Retrofit:** Increase the number and effectiveness of residential energy efficiency programs and support the development of a thriving home energy upgrade industry.

Key Points

- SEE Action is a state- and local-led effort facilitated by the federal government to bring energy efficiency to scale and achieve all cost-effective energy efficiency by 2020.
- SEE Action provides knowledge resources and technical assistance for state and local decision makers to implement best practice energy efficiency policies and programs.
- SEE Action is a network of more than 200 leaders from state and local government, businesses, non-governmental organizations, and their partners.
- **For more information:**
Johanna Zetterberg
U.S. Department of Energy
johanna.zetterberg
@ee.doe.gov

Decision Maker Action

SEE Action supports individuals and organizations seeking to reap the benefits of energy efficiency through policies and programs:

- **Utility Regulators** who can promote energy efficiency as an energy resource to ensure reliable, affordable energy for ratepayers
- **State and Local Policymakers,** including governors, legislators, and mayors, who can implement effective energy efficiency policies and programs for their communities
- **State Energy and Air Officials** who can develop and implement cost-effective energy efficiency programs to realize energy, cost, and emissions savings among other benefits
- **State and Local Partners,** including utilities and other energy efficiency program administrators, financial institutions, energy services companies, industrial facility and commercial building owners, and many others.

Resources for Decision Makers

SEE Action Network members—state and local leaders and their partners—continue to develop knowledge resources for peers based on their own evolving experience and demonstrated success. These resources aim to educate, engage, and support decision makers as they follow the path of energy efficiency policy and program adoption:

- **Education and Engagement** resources include background and introductory technical reports, fact sheets, webinars, and other resources that provide the necessary foundation for understanding a burgeoning area of energy efficiency opportunity, or initiating energy efficiency policy and program development.
- **Policy and Program Action** resources include best practices for and model approaches to energy efficiency program and policy design and implementation that can guide decision makers along a path of action.

SEE Action Resources are available online at www.seeaction.energy.gov/resources.html.

Technical Assistance

One-on-one technical assistance is available on a case-by-case basis. Decision makers interested in receiving technical assistance should contact Johanna Zetterberg (see the end of this document for information).

Additional technical assistance includes:

- **DOE's Office of Energy Efficiency and Renewable Energy's Technical Assistance Program** provides state, local, and tribal officials the tools, resources, and assistance needed to implement successful and sustainable clean energy programs. This program provides direct, short-term assistance with cross-cutting efficiency and renewable energy issues. www.eere.energy.gov/wip/solutioncenter
- **DOE's Office of Electricity's Technical Assistance Program** provides assistance on an as-requested basis on any state or regional electricity policy topic, including ratepayer-funded energy efficiency, to a broad range of stakeholders. http://energy.gov/oe/downloads/oe-state-and-regional-electricity-policy-assistance-program
- **DOE's Building Energy Codes Program State-Level Technical Assistance** provides assistance to state and local governments on building energy codes, policy adoption, compliance, training, analysis, and software support. www.energycodes.gov/states/techAssist.stm
- **DOE's Office of Energy Efficiency and Renewable Energy's Clean Energy Application Centers** promote CHP, waste heat recovery, and other clean energy technologies and practices and offer regional assistance for specific projects throughout the United States. www.eere.energy.gov/industry/distributedenergy/racs.html
- **EPA's State Climate and Energy Program** helps states develop policies and programs that reduce greenhouse gas emissions, lower energy costs, improve air quality and public health, and achieve economic development goals. EPA provides proven, cost-effective best practices, peer exchange opportunities, and analytical tools. http://epa.gov/statelocalclimate/state/index.html

For more information on SEE Action, contact:

Johanna Zetterberg
U.S. Department of Energy
202-586-8778
johanna.zetterberg@ee.doe.gov
www.seeaction.energy.gov

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2. McKinsey Global Energy and Materials. 2009. *Unlocking Energy Efficiency in the U.S. Economy.* www.mckinsey.com/Client_Service/Electric_Power_and_Natural_Gas/Latest_thinking/Unlocking_energy_efficiency_in_the_US_economy.

ATTACHMENT C

Better Buildings Initiative: Industrial Strategic Energy Management Accelerator

CEE Summer Program Meeting

May 30, 2013

Katrina Pielli, U.S. Department of Energy

U.S. DEPARTMENT OF ENERGY | Energy Efficiency & Renewable Energy

Today

- Better Buildings Challenge Overview
- New Opportunity: Utility Engagement with Industrial Sector
- Superior Energy Performance
- Better Plants Challenge
- Questions for Discussion

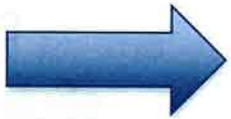
Better Buildings Challenge Overview

- Announced by President Obama in December 2011
- Broad, multi-strategy initiative to:
  - Reduce by 20% the energy intensity in the commercial and industrial sectors by 2020;
  - Catalyze revolutionary change in energy use
  - Achieve billions in energy bill savings
  - Create high quality domestic jobs
- Public-private partnership program where leading organizations commit to improve the energy intensity of their building portfolio's by at least 20% over 10 years and share their strategies and results with the market.
- Financial and Utility Allies assist Partners in overcoming barriers to investment in EE

Current Partners and Allies

110+ public, private and non-profit organizations:

- 66 Commercial Partners
- 12 Better Plants Challenge Partners
- 25 Community Partners
- 14 Financial Allies
- 3 Utility Allies



Together, they represent:

- 2+ billion square feet of commercial and industrial space committed
- 300+ manufacturing plants
- ~$2 billion in private sector financing

BBC Partners and Allies

Need for Additional Utility Engagement with Industrial Sector

- Many utilities / program administrators face EE increasing savings goals / targets going forward
  - Greater need to engage industrial sector for energy savings
  - Demonstrate value to industrials of participating in (paying into) ratepayer-funded programs
- Industrials continue to face pressures to improve competitiveness -- EE can help
- DOE flagship industrial EE effort (Better Plants Challenge & Program) focused on assisting industrials to set a savings goal, develop an action plan, implement measures to achieve goal. Reward success.
- DOE also focused on industrial strategic energy management (SEM) as opportunity for continuous energy savings

New: Better Buildings Accelerators

- Across BBI portfolio -- commercial, industrial, public sector, etc.
- One to two year efforts designed to demonstrate specific innovative approaches which upon successful demonstration would accelerate investment in energy efficiency
- Targeted focus
- In development now:
  - Energy Data
  - Industrial Strategic Energy Management
  - ESPC

For Discussion – Industrial Strategic Energy Management Accelerator

- **Industrial SEM Accelerator Goals**:
  - Demonstrate the cost-effectiveness of industrial SEP as a ratepayer-funded efficiency program
  - Demonstrate the business case for industrial customers to invest in the spectrum of SEM
  - Build the SEM workforce at the regional level
  - Measure and document SEP cost reduction techniques
  - Develop recommendations for post-Accelerator next steps

- DOE will partner with utilities / program administrators (Industrial SEM Accelerator partners) to deliver program resources to industrial customers **to implement, pilot, test, and assess Superior Energy Performance (SEP) as practical and effective energy efficiency program offerings.**

For Discussion – Industrial Strategic Energy Management Accelerator

Industrial SEM Accelerator Partner Agrees to:

- **Recruit and engage industrial customers in a pilot SEP program** with a cohort of industrial customers in service territory; may include DOE Better Plants partners.
- **Develop a pilot SEP program** that includes the program materials, costs, benefits, and measurement and verification of the program impacts (energy usage and savings). **Share results annually**.
- **Sponsor Certified Practitioner EnMS training (see slide 10)** for SEM program implementers to ensure a **qualified workforce** to assist industrial customers in implementing the pilot SEP program.
- **Deliver program resources to industrial customers** to support SEP. For example, cost-shared: Technical assistance; Metering; Full-time energy managers; Third-party SEP audits.
- Share **aggregate data from the pilot SEP program**, including: industrial sectors participating in pilot, energy usage and savings, program costs and benefits. **Share results annually.**

For Discussion – Industrial Strategic Energy Management Accelerator

U.S. Department of Energy Agrees to:

- **Provide SEP end-user training** *(see slide 11)* for a cohort of industrial customers on SEP, in coordination with SEM program implementers.
- **Provide access and assistance to DOE tools and resources** for Accelerator partners, including In-Plant trainings hosted at Better Plants partner facilities.
- **Provide National Recognition to Accelerator Partners** for achieving milestones and goals.

Certified Practitioner in Energy Management System (CP EnMS) Training

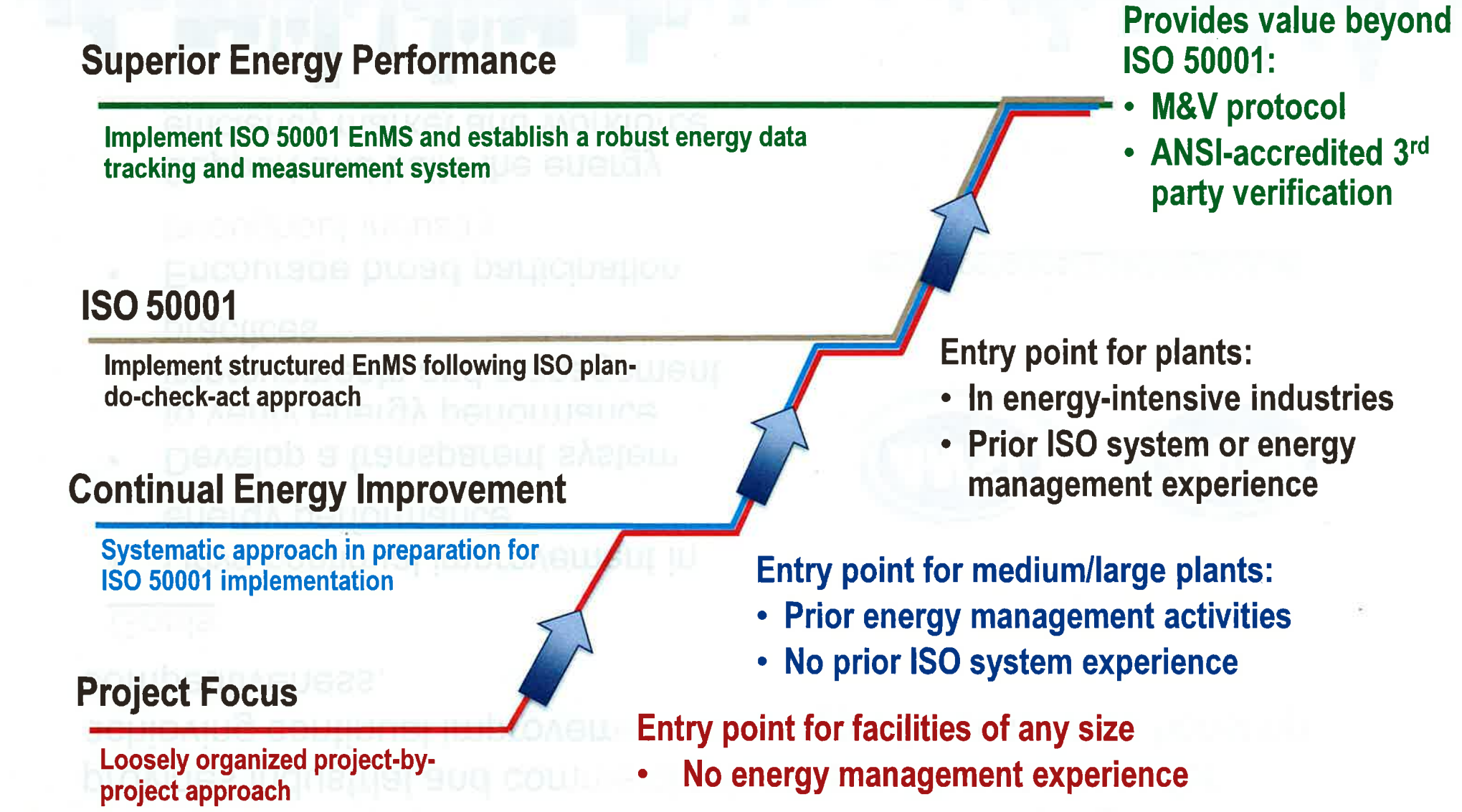
- Certified Practitioners in Energy Management Systems help facilities implement the ISO 50001 and prepare for SEP certification
- Training and specific skills are required for appropriate application of the ISO 50001 and the SEP M&V Protocol.
  - Targeted trainees as part of the Accelerator: Utility SEM program implementers
- Training involves some on-line prep work and 4 days of in-class training
- Exam for CP EnMS is one day and tests knowledge of ISO 50001 standard, energy engineering principles, SEP standards and requirements, and knowledge of industrial energy practices and concepts.

See http://www.superiorenergyperformance.net/certified_practitioners.html
and http://www.superiorenergyperformance.net/CP_trainingexams.html

SEP End-user Training

- Targeted trainees: End-user manufacturing customers implementing SEP in their facility
- Training is for a cohort of end users (usually 3 to 7 companies)
- Training and skill are required for all core members of a manufacturing's energy management team for appropriate application of the ISO 50001 and the SEP M&V protocol and tools
- Training will be a cooperative effort between Georgia Tech energy management/ISO 50001 experts and utility SEM experts (CP EnMS)
- DOE hosts three 2.5-day training sessions over a 12–15 month period
- End-users are trained on all ISO 50001 Plan-Do-Check-Act elements as well as additional requirements of SEP
- End-users are trained on how to build a statistical model using DOE's EnPI tool
- Final training session involves a mock internal audit at an end user facility.

Strategic Energy Management Continuum



Superior Energy Performance

A market-based, ANSI-ANAB accredited certification program that provides industrial and commercial facilities with a roadmap for achieving continual improvement in energy efficiency while boosting competitiveness.

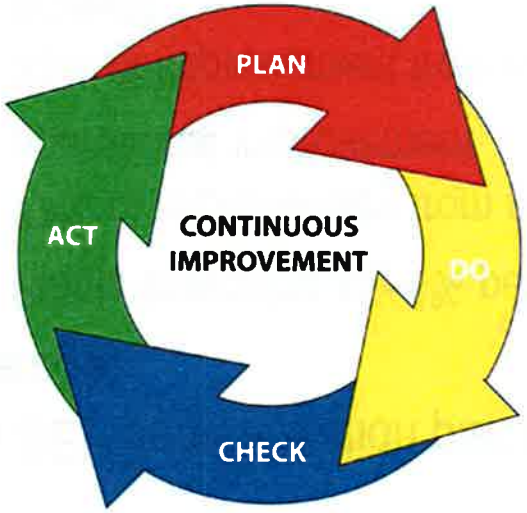
Goals:

- Drive continual improvement in energy performance
- Develop a transparent system to verify energy performance improvements and management practices
- Encourage broad participation throughout industry
- Support and build the energy efficiency market and workforce

www.superiorenergyperformance.net

Superior Energy Performance: Overview and Core Objectives

ISO 50001 EnMS



- Fosters an organizational culture for continuously improving energy efficiency
- Aligns with business systems through structured Plan-Do-Check-Act process

Superior Energy Performance

Applies ISO 50001 to create real value.

- Set performance target
- Verify improved energy performance

SEP standards

- ANSI/MSE 50021: SEP program requirements
- ANSI/MSE 50028: SEP verification body requirements

Facilitates and verifies rigorous use of ISO50001 EnMS

SEP Certified Facilities: Results

- 28 industrial plants have completed SEP demonstration training
  - 12 sectors represented
- 14 plants SEP certified
- 25 additional plants pursuing certification

- Key SEP demonstration plant results (average)
  - Plants improving at ~4% per year
  - 77% of improvement from no/low cost operational improvement
  - 23% of improvement from capital projects

Facility Name	% Energy Performance Improvement
Volvo Trucks, NA | *Dublin, VA*	**25.8**
Dow Chemical Company | *Texas City, TX: Manufacturing facility*	**17.1**
3M Canada Company | *Brockville, Ontario, Canada*	**15.2**
Cook Composites and Polymers | *Houston, TX*	**14.9**
General Dynamics | *Scranton, PA*	**11.9**
Allsteel | *Muscatine, IA*	**10.2**
Cooper Tire | *Texarkana, AR*	**10.1**
Olam Spices | *Gilroy, CA*	**9.8**
Owens Corning | *Waxahachie, TX*	**9.6**
Dow Chemical Company | *Texas City, TX: Energy systems facility*	**8.1**
Nissan, NA | *Smyrna, TN*	**7.2**
Freescale Semiconductor, Inc. | *West Austin, TX*	**6.5**
3M Company| *Cordova, IL*	**6.2**
Bridgestone Americas Tire | *Wilson, NC*	**16.8**

Better Buildings, Better Plants Challenge Overview

A select number of manufacturing partners have stepped up to the Better Plants Challenge, which calls for a higher level of leadership, innovation and transparency

Challenge Partners Agree to:

Commit

- Establish energy efficiency goal
- Announce innovations/market solutions

Take Action

- Showcase project within 9 months
- Set organization-wide plan, schedule and milestones within 9 months

Report Results

- Share information and implementation models
- Share portfolio wide energy performance annually
- Provide quarterly updates on progress on showcase projects, other milestones

President Obama and former President Clinton take a tour of the upgrades of the Transwestern Building in Washington, Dec. 2, 2011 (Official White House Photo by Lawrence Jackson)


Simplot
Bringing Earth's Resources to Life
3M
Schneider Electric
BRIGGS&STRATTON
SAINT-GOBAIN
Johnson Controls
ALCOA
NISSAN
Cummins
Ford
GE
legrand®
U.S. DEPARTMENT OF ENERGY
Energy Efficiency & Renewable Energy

In-Plant Trainings

- In-Plant Trainings (INPLTs) help develop energy efficiency expertise within companies
- Events range 3-4 days and are led by energy experts who train participants on how to conduct assessments, use DOE tools, develop energy management systems, and implement projects
- Participants can come from plants from the same company, from peer or regionally-based companies, suppliers, and others
- Energy assessments are a component of the INPLTs, but the events put greater emphasis on training, replication, implementation, and sustainable energy management systems
- In 2012, DOE conducted 12 INPLTs covering: steam, compressed air, process heating, pumps, and fans. Through these events, DOE:
  - Trained over 250 participants
  - Helped identify over 750 billion BTUs in energy savings and over $4.6 million in cost savings

DOE energy expert Greg Harrell and an Alcoa employee at a recent INPLT event

Questions for Discussion

- Would participating in this Accelerator be of interest you?
- SEP pilot – would you be interested in incorporating additional SEM elements? If yes, like what?
- CP Training requirement – is this cost prohibitive?

For More Information

- **Better Buildings Challenge:**
  - www.betterbuildings.energy.gov/challenge

Katrina Pielli, katrina.pielli@ee.doe.gov
Sandy Glatt, sandy.glatt@go.doe.gov
Paul Scheihing, paul.scheihing@ee.doe.gov

South Jersey Gas

Where we put all of our energy®

John F. Stanziola
Director, Government & Regulatory Affairs

Kristi Izzo
Secretary of the Board
Board of Public Utilities
44 S. Clinton Ave. 9th Floor
PO Box 350
Trenton, NJ 08625-0350

RE: CRA Straw Proposal
Proposed Funding Levels FY14-FY17

Dear Secretary Izzo:

On behalf of the South Jersey Gas Company ("South Jersey" or "Company") I am pleased to offer comments relative to the Board of Public Utilities ("BPU") Office of Clean Energy ("OCE") 2014 CRA Straw Proposal.

South Jersey is a local gas distribution company which provides gas service to approximately 360,000 customers in the seven southern most counties in New Jersey. The Company appreciates the opportunity to comment on and offer remarks in support the 2014 CRA proposal.

Along with other utilities in New Jersey, South Jersey has successfully partnered with the Clean Energy Program to foster greater customer participation and energy saving success since 2009. Over the past four years, South Jersey has continued to make the promotion of energy efficiency part of the corporate culture and offers company-sponsored energy efficiency programs to a wide array of customers. It is the intention of South Jersey to partner with the State and other utilities in the continuation of such programs.

Given that 2014 will be a transition year for the NJ Clean Energy Program ("NJCEP"); South Jersey will offer its resources to work with the Office of Clean Energy and actively participate in the upcoming working groups to help craft programs with even greater value for its various markets. Along with other companies, South Jersey has been actively involved with organizations such as the Consortium for Energy Efficiency ("CEE") and looks forward to continuing to work with that and other organizations. Throughout 2014, we believe that our continued efforts will generate even greater benefits for residents and businesses in New Jersey, if combined with a strong partnership with the NJCEP. South Jersey advocates that the NJCEP once again support, and actively participate in, the work of the CEE.

South Jersey is also supportive of the State's efforts to support and promote a more holistic approach to energy savings, especially the promotion of not only better building performance, but the simultaneous installation of heating and water heating equipment. The continuation of the heating – water heating incentive will not only create more energy savings, it will create an even greater value for the homeowner, in the form of best practices and improved health and safety. This combined incentive was given special consideration by the CEE at their 2013 Summer Meeting and is a NJCEP program feature that South Jersey supports.

South Jersey recognizes the impact Super Storm Sandy had on the state and its people, and appreciates the work involved to secure funding for Combined Heat and Power ("CHP") and Distributed Generation. South Jersey has long been an advocate for CHP development in New Jersey due to the significant benefits it provides through energy efficiency, environmental impact and economic savings. The Company will continue to work with the State to achieve the goals as contained in the Governor's Energy Master Plan and to bring greater energy security, efficiency, and savings to those who can most benefit from these technologies.

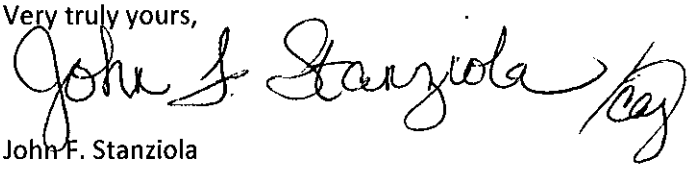
In reviewing the updated 2014 CRA proposal dated June 2013, South Jersey urges the Board to reexamine the assumptions and methodologies utilized in gas and electric allocations. The inquiry regarding the proposed funding allocations derives from the change in itemization from the original proposal to the revised draft. The original allocations, as proposed in March 2013, were shown through an electric to gas split of 69%-31%, where the revised draft introduces a split of approximately 64% to electric customers and 36% to gas customers. It is South Jersey's understanding that the June Straw Proposal includes allocations based upon estimated 2013 retail revenues from information provided by the Energy Information Administration. The proposed funding allocations would impose an increase to the gas utilities and have a significant impact to South Jersey resulting in a 28% increase from current levels. These increases would parallel expected overall program funding reductions.

Given the limited time to review the proposed allocations and supporting documentation South Jersey suggests that the Board utilize a proven and tested methodology, the same currently in effect and approved by the Board in the Universal Service Fund proceedings. This allocation generated from information submitted by the utilities results in a comparison allocation of 69% electric and 31% gas. Given these circumstances, we believe it would be more appropriate to utilize such methodology as a matter of fairness and equity.

Finally; South Jersey, along with other utilities that have partnered with the Office of Clean Energy, would like to express deepest appreciation for the unwavering support by the Office of Clean Energy and the NJ BPU for the Comfort Partners Low Income Program. Over the past twelve years, utilities have been proud to partner with the Office of Clean Energy, and have been fortunate to have been able to assemble a dedicated and knowledgeable network of contracting companies to deliver energy savings to customers. Above all else, the partnership has consistently provided basic health and safety measures to the most vulnerable segments of our State's population. With the BPU's support, the utilities will continue to offer Comfort Partner Program services over the next year for as many customers as the program can effectively serve.

South Jersey Gas Company is hopeful that the Board finds these comments beneficial. As always, we look forward to working with the Board and all stakeholders in an effort to address the important issues contained within the 2014 CRA budget process. Thank you.

Very truly yours,



John F. Stanziola
Director, Government & Regulatory Affairs